



NEWS TO USE

A newsletter for PERSI Employers

January 2002

- ERIPs uncertain
- Information readily available
- Filling out W-2s

PERSI information is available – All you have to do is ask!

You have several ways to learn about your PERSI plans, fund options and financial planning information.

PERSI's live presentations are "lively" and informative

If you haven't had PERSI's lively trainers, Maxine and Bill, to your site for an in-person presentation, you've really missed out.

We're sure that Bill could be a regular on the Tonight Show, but he has chosen to instead share his talents with you. Maxine Thomas is a truly energetic presenter who really cares about our members.

The presentations that Max and Bill give are not only entertaining, but also provide a wealth of information on PERSI's Base and Choice Plans.

Touring with Max and Bill are presenters from our education contractor, Education Technologies Inc. (ETI), who offer understandable and useful information on investing and financial planning. No matter what level of financial savvy your employees have, we're sure these presentations will be helpful.

And if that's not enough to tempt you, our presentations also include donuts and door prizes!

To arrange a presentation, call Brian Mastel with ETI at 406-556-9722.

Video/bookpacks available to individuals or to employers for new employee orientation

You may now order your own supply of video/bookpacks to provide to or show to new employees for orientation on PERSI.

The videos are about 15 minutes, and provide a good basic summary of the PERSI Base Plan, Gain Sharing and the Choice Plan 401(k).

To order video/bookpacks, call Jessie Alice at (ETI), at 1-800-551-3156, ext. 117. Give your name, agency, address and how many videos you are requesting.

On-line

www.persi.state.id.us

Toll-free phones

Choice Plan:

Toll-free 1-866-ID-PERSI
(1-866-437-3774)

Base Plan:

1-800-451-8228

Financial & Investment Education:

1-800-453-0321

Early Retirement Programs uncertain

There has been some press lately on Early Retirement Incentive Programs (ERIPs), especially tied to the budget issues at the state level. A Rule of 85 window is the most discussed item, with other options being touted as well. So, what can you tell members who ask you about ERIPs or Rule of 85?

There has been no firm proposal from anyone on an ERIP. There are many alternatives being reviewed including some that involve early retirement. Nothing has been decided and all options are still open. It is possible that nothing will come of the discussions.

Any ERIP that involves costs to PERSI MUST be funded by the sponsoring employers. For example, if the State elected to have an ERIP, the State would have to pay PERSI for the cost. ERIPs will not be "absorbed" by PERSI.

ERIPs are very complex and their cost effectiveness depends on which employees leave and when their vacant positions are refilled, among other things. The number and salary of those who will leave cannot be determined up front. These are difficult plans to put together and require significant up-front funding. You may want to tell employees to "believe it when they see it". We will have updates on our website and in our publications as needed.

How to report PERSI contributions on a W-2

Note: We have run this article several times in the past and have had some requests to rerun it. This is a general summary of how to report PERSI (a qualified 401(a) pension plan), as well as 401(k), 457 and 403(b) information, on IRS form W-2. This year, the form has some changes, and now many of you who did not have 401(k)s before now have one in the PERSI Choice Plan 401(k).

This should not be taken as final legal authority. For more information, consult with your tax advisor, auditors, or the IRS.

We frequently receive questions from employers on how to correctly report PERSI and other tax-deferred contributions, such as those to 401(k), 457 and 403(b) plans, on employee W-2 forms. The time for completing W-2's is here, so here's some information. The following are some **basic** guidelines on how to complete the W-2's. For more information, consult with your tax advisor or the IRS.

Important items on form W-2 for PERSI purposes:

1. Box 1 – Wages, tips and other compensation.

This is generally gross compensation minus:

- 1) Mandatory employee contributions to the PERSI Base Plan,
- 2) Voluntary employee contributions (elective deferrals) to a 401(k), 403(b), or 457 plan, and
- 3) Pre-tax deductions under a section 125 (cafeteria) plan.

Box 3 – Social Security wages. This is generally gross compensation minus pre-tax deductions under a section 125 (cafeteria) plan. The difference between the amounts in box 1 and box 3 will generally equal the total of mandatory PERSI contributions and

elective deferrals to all retirement plans. In no event will the amount exceed the 2001 maximum wage base of \$80,400.

Box 5 – Medicare wages. This is generally the same amount as box 3, except there is no "wage base" limit.

Box 11 – Nonqualified plans. This may be relevant if you offer a 457 plan. Check with your 457 plan vendor or tax advisor.

Box 12 – Codes. This is where you include a separate code and amount for each type of elective deferral (and other possibly relevant information). For example, if an employee made voluntary contributions to both the PERSI Choice Plan 401(k) and a 403(b) plan, code "D" and the amount contributed to the 401(k) would appear in box 12a, and code "E" and the amount contributed to the 403(b) would be entered in box 12b.

Mandatory employee contributions to the PERSI Base Plan are NOT recorded here, but MAY be entered in box 14 if you wish.

Employer contributions to an employee's 401(k) or 403(b) plans are also NOT entered here. However, for 457 plans, all deferrals (elective and nonelective) must be listed here.

Box 13 – Retirement Plan. This box should be checked if an employee made any contributions to: the PERSI Base Plan, the PERSI Choice Plan 401(k) or another 401(k), a 403(a) plan or a 403(b) plan.

Box 14 – Other. You may, but are not required, to use this box for other information you want to give to an employee.

You may enter the following contributions to a pension plan:

- 1) Employee contributions to the PERSI Base Plan,
- 2) Employer contributions to an employee's PERSI Choice Plan 401(k) or another 401(k), if any,
- 3) Employer contributions to an employee's 403(b) account, if any,
- 4) Employer matching contributions, if any.

W-2 Wage and Tax Statement 2001

Form W-2 Wage and Tax Statement 2001
Copy A For Social Security Administration—Send this entire page with Form W-3 to the Social Security Administration; photocopies are not acceptable.
Do Not Cut, Fold, or Staple Forms on This Page — Do Not Cut, Fold, or Staple Forms on This Page